

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, NOVEMBER 19, 2002**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 19, 2002 commencing at 7:02 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock (left at 7:30 a.m.), Howard, Land, Nakanishi (arrived at 7:06 a.m.), and Mayor Pennino

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and Deputy City Clerk Perrin

B. CITY COUNCIL CALENDAR UPDATE

Deputy City Clerk Perrin reviewed the weekly calendar (filed).

Announcements

City Manager Flynn reminded the Council that the first meeting in January falls on a holiday, and he asked that Council give thought on how to rearrange the meeting calendar. On Saturday evening the eternal flame on the Veterans Memorial extinguished, and staff is in the process of having it repaired. In addition Mr. Flynn asked for clarification from the Council as to whether the dinner that is auctioned annually for the Boys and Girls Club is the Council's dinner or the City's, to which Mayor Pennino replied that it is the Council's.

C. TOPIC(S)

C-1 "2003-2005 Budget Overview"

City Manager Flynn stated that the purpose of this morning's meeting is to discuss the general fund, and, more particularly, to discuss a number of uncertainties foreseeable in the next two-year budget process. Mr. Flynn introduced Dan Hartman, Director with Salomon Smith Barney, who would address the City's transfer of funds from Electric Utility to the general fund.

Mr. Flynn stated that concerns have been expressed about the budget document and that Council may be considering a new budget form, content, and process. The content are the policies that drive the budget, with the critical policies being the transfer of funds to the general fund from the three enterprises and the revenue distribution within the property tax receipts. The budget is not driven as much by expenditures as by revenues and what it allows the City to do and not do. If changes are to be made, quick decisions must be made on reformatting, restructuring, and developing policies. During the last two-year budget process, Council had approximately 22 meetings; however, with significant changes, it could result in even more. If this is the case, Council needs to give thought now as to when to hold its budget meetings so staff can prepare an outline to commence in January on making the decisions on form, content, and process.

Staff's goal was to review with Council 1) the fiscal uncertainties, 2) overview of fiscal year 2001-02 general fund budget to actual, 3) the policy of in-lieu tax transfer from Electric Utility to the general fund, 4) overview of updated changes in fund balance – general fund; 5) evolution of Lodi's budgets, 6) policy issues, and 7) budget schedule and format. Mr. Flynn stated that two weeks ago staff and two Council Members attended a meeting at the State to talk about what is happening at the State level. One of the uncertainties discussed was the sales tax revenue. Lodi, for the most part, is not in the same situation as many other cities in the major metropolitan areas because it does not have the same industries that are laying off large numbers of employees and it has a more stable workforce as it is mostly an agricultural-driven economy. However, staff will not know the sales tax status until it receives the fourth-quarter reports. The December time frame accounts for the largest increase in revenue for sales tax.

Mayor Pro Tempore Hitchcock indicated that she must leave for Sacramento by 7:30 a.m. and requested that the presentation from Dan Hartman be heard first. She further stated that she was unaware that the budget discussions would be this in-depth and suggested that it be postponed until December to allow the new Council Members to actively participate in making budget decisions.

Mr. Flynn replied that this meeting was postponed from last week so that both Council Members Elect could attend this morning. The purpose of this meeting is to lay the ground work, give an overview, and receive comments so that staff can begin to make meaningful recommendations.

It was agreed that Mr. Hartman would make his presentation first, followed by the overview on the fiscal uncertainties, with the remaining matters to be discussed at a later date.

Finance Director McAthie stated that Council had numerous discussions on the Market Cost Adjustment (MCA) and whether or not that should be included in the calculation for the in-lieu transfer from Electric. However, there were differing recollections as to whether or not a Council decision had actually been voted on. Staff reviewed Council minutes and discovered that, although there were several motions made to make a decision on it, they had died for lack of a second. There were further discussions to bring the subject back at a future date. Given that, staff had to follow the current policy, which states that the transfer is to be made on electric operating revenue. The additional money in the general fund, Other Sources and Uses, amounts to \$1,017,649.

City Manager Flynn interjected that this dollar amount includes the \$900,000 transfer with the MCA, on which Council voted three to two on January 2, 2002 to transfer.

Mayor Pro Tempore Hitchcock stated that Council Member Nakanishi requested to have this matter back on the agenda; however, she has yet to see it scheduled for discussion.

Ms. McAthie stated that Dan Hartman would be discussing this matter. She apologized for the delay in bringing it back to Council, and explained that both Finance and Electric Utility have been busy with the Electric Utility bond issue and the preparation and signing of the documents. With the \$1 million included, the City is at a 12% reserve, but without it the general fund reserve would be at 9%.

City Manager Flynn stated that Mr. Hartman would additionally address the rating in Electric Utility, which was recently downgraded from an A- to BBB+. The latest rating in the general fund was an A, so any policy amendments may have an impact on the general fund's rating.

Mr. Hartman spoke on the appropriateness of the general fund transfer from the Electric Utility, which is 12% of the Electric Utility revenues. This is generally within the range that other municipal utilities and investor-owned utilities have as a return on equity. Municipal utilities should be looked at as a City-owned asset, which puts a lot of equity into the utility system over a long period of time; therefore, it is an appropriate return to the general fund from the utility. Other municipal utilities typically have a range of transfer from 6% to 14%. In looking at investor-owned utilities, such as PG&E and Southern-Cal Edison, they have historically put into their rate base a number that is very close to 12%.

Council Member Nakanishi questioned if PG&E users in San Francisco, for example, are also taxed with a utility users' tax by the city. Mr. Flynn responded that PG&E has a return on its investment, and, in cities with a utility users' tax, there is also a tax in addition to that; therefore, the percentage could be in the range of 20%. Council Member Nakanishi expressed that he has always conceded this in-lieu tax was dividends, not taxes. The public's perception is that the City is taxing. He would prefer the term "in-lieu dividends."

City Attorney Hays explained that one of the reasons this particular phraseology developed is because Stockton's PG&E system pays a property tax that is formulated by the State of California State Board of Equalization. Since Lodi owns the electric system, this does not happen. The system is paying this money, which can be called dividends, but is designed in a way to generate revenue that the City would get if PG&E's system was throughout the city based upon the valuation that the Franchise Tax Board puts on it.

Mr. Flynn added that long ago in Lodi, and in most cities throughout California, the electric fund was not set up as a separate fund, it was a part of the general fund. Whatever revenues were generated stayed within this one larger fund. By the late 40s or early 50s, however, there was more emphasis on treating utilities as stand-alone enterprises because there was a lot of money being borrowed and there needed to be a measure of the revenues versus the borrowings in order to operate these facilities. Therefore, the electric, water, and sewer portions were taken out of the general fund and created as separate enterprises. In the end the general fund is responsible for all funds.

NOTE: Mayor Pro Tempore Hitchcock left the meeting at 7:30 a.m.

Mr. Hartman reiterated that in looking at both municipal and investor-owned utilities, Lodi has an appropriate return to the City, which is accepted within the industry and by rating agencies. The downgrade should not affect the policy. The policy is an appropriate one, and the reasons for the downgrade were beyond the City's control and a result of events in the power market. BBB+ is still a good rating and within the investment grade category. Salomon Smith Barney sold \$40 million of bonds last week in 30 minutes at an interest rate lower than the Utility has ever been able to get, and certainly investors thought very highly of Electric Utility's creditworthiness and market perception. The downgrade was a reflection of the volatility in the power industry, as well as higher costs relating to the procurement of power. This is happening industry-wide and across a number of municipal utilities, not just Lodi. The City of Seattle has now gone through three separate downgrades as a result of very similar circumstances, and those circumstances relate to the power crisis and the effects it has had in driving up the wholesale market. At that point a number of utilities, including Lodi, were short power and had to procure adequate power to meet customer needs, which locked in some of the costs that were above market.

Council Member Land stated that, based on the downgrade and report from Fitch, there were actually four areas pointed out, one of which is the spot market that the City has little control over. The second area is Lodi's small customer base, third was higher than usual rates for commercial and residential customers, and fourth was Lodi's high transfer fee to the general fund. The downgrade had to cost some additional funds for the financing. Lodi received one of the lowest interest rates, but the rates are lower now than they have been for 40+ years. He questioned if it would have made a difference if Lodi had a lower transfer fee.

Mr. Hartman replied that it would not. From 1999 to 2001 the transfer policy and percentages were the same, and those have always been assumed within the ratings. Clearly it was the external events (i.e. the volatility of the power market and the skyrocketing prices) that precipitated the downgrade. The Electric Utility Department and the City has worked together to put a plan into place to again lower the fixed costs of power and the procurement of power, which is what will bring the rating back to A-. This plan was communicated to the rating agencies.

Council Member Land questioned what the additional cost was to the City and rate payers for the downgrade for this new financing. Mr. Hartman responded that the Electric Utility procured bond insurance where the impact is generally seen, and the cost did go up. It is difficult to say exactly what caused it because premiums have been going up across the market. Mr. Hartman estimated that it would be about 5 basis points, which is 0.05%, so it went from 3.5% to 3.55%.

In response to Council Member Land, Mr. Hartman stated that if the City lowered the transfer fee it would hurt the grade rating for the City of Lodi. The transfer makes up about 15% of the general fund revenue, which is a large revenue source within the general fund. To the extent that it is reduced, it has a dollar for dollar corresponding impact on the general fund. This clearly would be an issue that would be looked at within any future issuance for the general fund, should there be projects appropriate to finance.

Council Member Land stated that he was disappointed that the City was caught off-guard on this downgrade and that he wished it could have been communicated initially that this was a possibility.

Mr. Hartman stated that Enron and others who have had fiscal problems have caused the rating agencies to be a bit nervous and quick to downgrade. Mr. Hartman stated that the rating agencies feel that the City's plan will help to stabilize and get the levels back to the A- rating.

Council Member Nakanishi questioned if the Council Members who went to San Francisco to meet with the rating agencies had a factor in the grading. Mr. Hartman replied that for Fitch it played a big part, perhaps 25% of the rating, because as the utility industry has deregulated and there is competition in the wholesale market and retail level, the implication is that the ones who will do well, are those that are managed properly. Therefore, investors look for city councils and staff leading the utilities who understand the business, are committed, and will make decisions that are good for the long term of the utility.

Mayor Pennino requested that Mr. Hartman confirm today's comments in a memorandum to the City Council, and further requested that a transcript of his presentation be prepared by the City Clerk's Office. Mr. Pennino stated that the City's policies and procedures, which have been in place for years, are good and should not be discarded.

Mr. Hartman reiterated that the City's policy on the transfer from Electric Utility to the general fund is appropriate. He added that the State sold \$6 billion of fixed-rate bonds about a week before Lodi did, and Lodi had an interest cost that was 20 basis points lower than the State's, despite the fact that the State had an A- underlying rating.

Council Member Howard stated that the League of California Cities predicts several factors affecting the future, including the Governor, reapportionment, and the attitude by many assembly and senate members who feel as though they will be holding office for multiple years. It is very important to know that the City has a plan regarding its cost, purchase, and sale of power that looks more optimistic in the future and will probably bring the City back to an A- rating.

Mr. Hartman agreed and stated that there is a stable outlook from both S&P and Fitch on the Electric Utility, and they were favorably impressed with the Utility's ten-year projection of where the power costs and overall utility costs were going to be.

Electric Utility Director Vallow added that, despite the rating downgrade, the City's bond insurance was less expensive than the State's and Northern California Power Agency's (NCPA), which were rated at A-. The City did not have to get a new rating and could have used a shadow rating from NCPA since Lodi is a member. However, the City does so as a matter of course and was still successful in obtaining the best costs it has ever seen. One issue of the rating agencies is Lodi's cost related to rates in comparison to other municipal utilities. Lodi did not start this industry as the low rate leader. The rates, rate policies, and basic cost structure were set in 1975/76 by the City Council, which determined that it did not want a larger allocation of Western Area Power Administration resources. Palo Alto, Roseville, and Sacramento Municipal Utility District (SMUD) each did something different. Therefore, Lodi's costs have been and will be higher than other utilities, which the rating agencies understand. Mr. Vallow suggested that simply reducing the general fund transfer would not have changed the outcome. Instead it would have immediately drawn attention to the general fund, potentially resulting in a downgrade on that side. It is a zero sum gain, and there is no compelling reason to change the transfer policy.

City Manager Flynn stated that within the long-term Electric plan is programmed a decrease in the transfer over time by using a percentage rate of the revenue. Beginning next year or so, the transfer is flat lined at \$5 million, and over time if the revenues increase, the percentage of transfer begins to decrease, which is a much more stable approach and would also serve as a planning tool for the budget preparation.

Mayor Pennino cautioned that the \$5 million flat line was for estimated purpose only and was not a policy, to which Mr. Flynn agreed.

Council Member Nakanishi expressed his support of this plan, and that any dividends above \$5 million be returned to the rate payers. Mr. Nakanishi asked Mr. Hartman to explain the rating agencies' change from supporting council's that had the fortitude to raise rates to now expressing concern that the rates are too high.

Mr. Hartman responded that, although it may not improve the competitive position relative to others, the ability to make tough choices on rate increases was an area that the rating agencies found very strong.

In summary, Mr. Hartman stated that the City's transfer from the Electric Utility to the general fund is appropriate and within the industry range. It was incorporated when the initial A- rating was established, it has not changed, and the rates and reception from the investors was very good.

Finance Director McAthie reviewed the revenues from the 2001-02 general fund budget to actual (filed) as follows:

- Tax Revenue – anticipated revenue of \$19.2 million; actual \$19.4 million, which left \$224,000 additional revenue. This is a result of additional revenues from the industrial waste/gas franchise fees (\$66,000), cable TV franchise (\$87,000), and the in-lieu franchise for electric and sewer, without the MCA included. However, this was offset by the fact that the City did not receive Educational Revenue Augmentation Fund (ERAF) money, although staff projected \$109,000. The sales tax was estimated at \$8.4 million, and the City received \$8.3 million, the difference being the State Board of Equalization under funded Lodi's sales tax by approximately \$41,000, which the City will receive in the 3rd quarter of this year.

Council Member Land questioned if the general fund balance is decreasing, increasing, or maintaining, to which Ms. McAthie responded that it is maintaining its prior fund balance.

- Licenses and Permits – anticipated revenue of \$1.5 million; actual \$1.4 million. The business tax came in higher than anticipated by \$51,000; however, building permits were down.
- Fines and Forfeitures – anticipated revenue of \$717,000; actual \$710,000.
- Investment/Property Revenues – anticipated revenue of \$533,568; actual \$377,866. The City has seen all time lows in interest rates, and the Local Agency Investment Fund rate is 2.4%, which is on its way back up. The interest rates accounted for a large portion of lost revenue. Sale of City property had \$20,000 additional revenue.
- Revenue from Others – anticipated revenue of \$3.7 million; actual \$4.2 million, which left \$500,000 additional revenue. This was a result of grant money, including the Drug Suppression, various county, and After School Program grants.
- Services Charges – anticipated revenue of \$1.8 million; actual \$1.6 million. Rent for Parks and Recreation was down \$37,000, which was due to the Stockton Street construction that lost a long-term renter and to the decrease in the use of the Grape Bowl. In addition, teen sports was down and the North Stockton Junior Basketball was taken over by Stockton Parks and Recreation. This decrease of \$15,000 was offset by healthy increases in the playgrounds, indoor/outdoor activities, the Youth Commission, and Lodi parks. There was a decrease in the Community Center's swimming as it was without a swimming instructor for three months and one month without the use of the pool due to repair. Plan check fees were down, and the engineering inspection fees were up about \$47,000.

- Other Revenue – anticipated revenue of \$170,540; actual \$341,250. The reasons it doubled was the Waste Management Award and weed abatement, which is put on the tax roll, collected, and returned to the City. In addition, the main amount of that is reimbursable charges for the Fire Strike Team. On the expenditure side this also accounts for some of the additional expenses, which is offset by this revenue. There was also a transit vehicle that had repair costs, which funds were transferred from Transit. Parks and Recreation received many donations, which again will be offset on the expenditure side.

In reply to Council Member Land, Finance Director McAthie stated that overall staff estimated \$27.8 million in revenue, and the actual was \$28 million, which resulted in \$500,000 additional revenue. Staff is conservative when estimating revenue, and additional revenue that cannot be pinpointed to an actual item is placed under additional sources and uses and is not counted as revenue until it is received. Staff had estimated an additional \$650,000 worth of estimated revenue, and with the actual additional revenue at \$500,000, staff was off by less than ½ a percent. Council Member Land complimented staff and stated that it has always done a great job on the estimating of revenues and expenditures.

Ms. McAthie reviewed the expenditures of the 2001-02 general fund budget to actual (filed) as follows:

- Public Safety – estimated expenditures of \$12.9 million; actual \$13 million. It appears that it is over budget by \$200,000, however, this is for the grants that the Police Department received, which are not counted as expenditures or revenue until the City receives the funds. This also accounts for the mobile furniture and office for the Animal Shelter in the amount of \$75,000. The Fire Department expenditures included the Quint lease and the Strike Team, which is offset by the revenue.
- Transportation – estimated expenditures of \$1.9 million; actual \$1.8 million. It came under \$175,000 because of a street cleaning maintenance worker and administrative clerk vacancy. The sublet and other contracts were under and curb and gutter encumbrances accounted for that.
- Leisure, Cultural, and Social Services – estimated expenditures of \$3.9 million; actual \$4.0 million. It appears it is over budget, but it was offset greatly by revenue in the Parks Department, which had quite a few donations for the Salmon Festival, Kofu Park Late Night Basketball, backboards, Lockeford Summer Camp, and Camp Lodi Lake. The Community Center side was also offset by revenue to offset its programs or donations, in addition to some pool professional services.
- Community and Economic Development – estimated expenditures of \$3.2 million; actual \$3.0 million. This is under \$256,000 and is mainly due to repairs and demolitions were under budget. In addition there was a Chief Building Inspector position vacant and a part-time salary for Community Improvement Officer. Professional services are encumbered and will be rolled over to the current year, which was offset by the cost of the project coordinator.
- General Government – estimated expenditures of \$8 million; actual \$7.9 million. The business attraction and façade program budget of \$150,000 is not budgeted, as it is a separate sub fund and is a rollover from prior years. It was offset by savings in the City Manager's office of conference expenses, the City Attorney's conference and book expenses, and the City Clerk's administration small tools, conference expenses, and Protocol Account. Human Resources was under in its professional services, Information Systems had salary savings, and Finance had savings for Accountant I and II and Customer Service Representative vacancies. Building Maintenance came under on various supplies. General support had additional expenses that were approved by Council, including Emergency Preparedness and the Mokelumne River Fire District, where the City annexed its property and committed to sharing a portion of the property tax for a certain number of years. There were also the Fire Performance exams, fireworks, and additional State mandated costs, which are reimbursable. City-wide utilities were under \$100,000 due to the cost of gas. Overall, the total expenditures were under budget by approximately \$135,000.

Ms. McAthie explained that Operating Transfers In had \$300,000 more of one-time transfers in, which included the injury prevention program for both Public Works and Electric Utility and special one-time items like cat cages, the Salmon Festival, and additional street sweeping.

Transfers Out, which includes the \$1.5 million transfer set aside to the Capital, was on-target.

Other Sources and Uses is strictly the MCA, and it appears as if there was a big drop from the estimated \$3 million versus the actual \$1 million; however, a great deal of the \$3 million is already accounted for in the revenue and expenditure actuals.

Cost of Medical Care/Dental, Vision was down about \$300,000 as there were a number of transfers of employees choosing different options. Staff expects that this will go back up.

Overall staff had projected a \$4 million fund balance, which would have been 14.8 percent, and the actual is \$3.6 million, which is 12%; therefore, the budget is on target with prior years' actuals. In response to Mayor Pennino, Ms. McAthie agreed that the 12% includes the \$1.5 million set aside for future capital projects.

When looking at where the City stands after the actuals for the 2001/02, some of the figures will naturally change for the 2002/03 current budget. The changes include Other Sources and Uses, due to Council and staff's review of the additional transfer of the in-lieu transfer until a decision is made on the MCA. The additional cost of Medical, Dental, and Vision is projected at about a 25% increase on the actual. The ending fund balance is projected to be \$4.3 million, or 14%. Ms. McAthie made it clear that the situation could have been worse, if the MCA had not been transferred, among other things.

In reply to Council Member Howard, Ms. McAthie stated that mid-budget additions, including hiring of employees, were absorbed in the Other Sources and Uses. Salaries are budgeted at the E Step, and a cushion is allowed for additional items that might come up such as confidential negotiations. For this reason staff does not detail out exactly what calculates that figure. If a salary is the result of a grant, the grant revenue comes in to offset it, or if a specific fund will pay the salary, then it would appear as an additional transfer in to offset that expense.

Deputy City Manager Keeter detailed the future fiscal uncertainties and read the following paragraph that was included in the League of California Cities (LCC) Legislative Wrap Up:

"Next year we will see another huge deficit in the State budget, all of the one-time solutions have been used. The remedies will have to be real for the 2003/04 budget. It promises to be a very difficult year for all groups and individuals with an interest in the health of the State general fund. Cities are definitely at risk in this environment of financial instability. Maintaining revenues to support local services promises to again be the primary focus of the League in the 2003 Legislative Session."

A \$50 billion deficit over the next five years has been predicted, and the State will be looking at serious budget cuts unless taxes are increased. The State has indicated that the Vehicle License Fee (VLF) will once again be susceptible. It is also predicted that regionalism and partnerships will be very prominent and will be emphasized in the next fiscal year. The State has also said that its budget has been cut and, considering the magnitude of the problem, will have to turn elsewhere besides the State for the solutions. Under revenue and taxation, the State Department of Finance will determine by January 2003 if the cuts that were programmed in the State's adopted budget are realistic. That will be the point when the VLF could be used to close the gap. It was further indicated that Library funds could be susceptible. Under Fiscal Reform the State is planning to create a commission to look at local and state fiscal relationships for long-term reform and will also discuss the possibility of a two-year legislative budget cycle with a 3% budget reserve requirement.

Council Member Howard added that there is a representative who is going to suggest that the State have a two-year budget cycle. In the first year no adjustments can be made and no new policies can be created, and it will serve as a time to review the budget. Any new laws would then be created in the latter half of that budget cycle. There has been a lot of discussion regarding the VLF, including extending the length of time that the State can collect that money, which is one of the reasons why it will be difficult for cities to rely on the VLF and other like funds. In addition, a number of issues on which the Governor vetoed this last year will be brought back before him, and it is unlikely that they will be vetoed. The LCC meeting served as an overview and was broken up into various departments and highlighted over 100 different laws that were passed this year. Ms. Howard would be interested in bringing back the information for more discussion and insight as to some of those that affect this particular area.

Mayor Pennino commented on the State's 3% reserve goal and compared that with the City's goal of 15%. The City is currently at 12% and doing much better than the State. In regard to the Library, the City has a policy in place, which takes 20% of Lodi's property tax to be dedicated for the Library; therefore, the Lodi Library should not be impacted, because it does not rely that much on State funds.

City Manager Flynn replied in the affirmative; however, property tax grows at 2% a year, and without growth in the community, the cost of living and overall operations over many years has increased greater than what that increment has been. In the long run, the property tax will not be sufficient in order to fund and sustain the operations of the Library.

Council Member Nakanishi stated that he has been in Sacramento for the last two weeks for briefings on the budget deficit. Lodi's budget is in good condition compared to the State, and it should feel optimistic. If the economy stays as it is the VLF will be under consideration. The two-year budget suggestion most likely will not be discussed as there is so much on the State's agenda. In addition, the Governor's office stated that there will be no laws with appropriation and increased cost to government, as there is no money.

Mayor Pennino thanked all of the department heads who worked so diligently to bring the budget in and obtain grants, bring in revenue, and watch expenditures. The City employees, department heads, and the Finance Department are the reasons why Lodi's budget balances every year.

Council Member Land stated that the budget meeting times need to vary in order to receive public input. The morning Shirtsleeve Sessions are too early for public attendance, and he suggested having more evening meetings and perhaps a Saturday meeting.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:30 a.m.

ATTEST:

Jennifer M. Perrin
Deputy City Clerk

Mayor's & Council Member's Weekly Calendar

WEEK OF NOVEMBER 19, 2002

Tuesday, November 19, 2002

7:00 a.m.

Shirtsleeve Session

1. 2003 - 05 Budget Overview (FIN)

5:30 - 7:00 p.m. Historical Felten's Topaz, Grand-Opening and Ribbon Cutting

and 1st Anniversary, 215 North Cherokee Lane, Lodi.

Wednesday, November 20, 2002

8:00 a.m.

Ambassadors Committee Meeting, Lodi District Chamber of

Commerce Conference Room.

7:00 p.m.

City Council Meeting

(Note: Closed Session Meeting at 5:45 p.m.)

Thursday, November 21, 2002

8:00 - 10:00 a.m. **Pennino**, San Joaquin Partnership meeting.

5:30 p.m. Lodi Industrial Group Meeting at the Lodi District Chamber of

Commerce Conference Room.

Friday, November 22, 2002

5:00 - 8:00 p.m. School Street Stroll in Downtown Lodi.

5:00 - 7:00 p.m. "Lodi Wine Live" at the Lodi Wine and Visitor Center.

Saturday, November 23, 2002

Sunday, November 24, 2002

Monday, November 25, 2002

Disclaimer: This calendar contains only information that was provided to the City Clerk's office



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Budget and General Fund Review

MEETING DATE: November 19, 2002

SUBMITTED BY: Janet S. Keeter, Deputy City Manager

RECOMMENDATION: That City Council review and begin discussions regarding the budget format, policies, fiscal uncertainties and General Fund balance.

BACKGROUND INFORMATION: Over the past decade, the City of Lodi has consistently earned awards for its Financial Plan and Budget. Despite these awards and accolades from other cities, it is prudent for us to review and confirm the future of our budget process. As such, staff will devote at least two Shirtsleeve Sessions (November 19th and 26th) to review with Council the evolution of the budget format, the current budget policies and the fiscal uncertainties; particularly as they relate to the General Fund.

To launch these discussions, staff has invited Dan Hartman, representing Solomon Smith Barney, to attend the November 19th Session. He will be prepared to comment on the City's recent financial ratings. Attached for your information are two spreadsheets:

- 1) 2001-02 General Fund Budget to Actual
- 2) 2002-03 updated changes in Fund Balance – General Fund

Also attached is an outline for the presentations.

Funding: Not applicable

Respectfully submitted,

Janet S. Keeter
Deputy City Manager

Attachments

JSK/sll

APPROVED: _____

H. Dixon Flynn -- City Manager

2001-02 General Fund Budget to Actual

11/13/2002

	Budget	6/30/02 Actual	2001-02 Difference
Revenues			
Tax Revenues	19,223,277	19,447,201	223,924
Licenses and Permits	1,595,584	1,464,450	(131,134)
Fines and Forfeitures	717,082	710,159	(6,923)
Investment/Property Revenues	533,568	377,866	(155,702)
Revenue from Others	3,767,787	4,291,718	523,931
Service Charges	1,812,269	1,690,938	(121,331)
Other Revenue	170,540	341,250	170,710
Total Revenue	27,820,107	28,323,582	503,475
Expenditures			
Operating Programs			
Public Safety	12,918,125	13,132,937	214,812
Transportation	1,992,664	1,817,284	(175,380)
Leisure, Cultural and Social Services	3,902,660	4,082,833	180,173
Community and Economic Development	3,261,635	3,004,654	(256,981)
General Government	8,034,515	7,936,121	(98,394)
Total Expenditures	30,109,599	29,973,829	(135,770)
Revenues/Expenditures (Over/Under)	(2,289,492)	(1,650,247)	639,245
Other Sources (Uses)			
Operating Transfers In	5,058,126	5,372,694	314,568
Operating Transfers Out	(2,809,995)	(2,790,213)	19,782
Other Sources (Uses)	3,145,000	1,017,649	(2,127,351)
Cost of Medical Care/Dental, Vision	(2,262,690)	(1,973,179)	289,511
Total Other Sources (Uses)	3,130,441	1,626,951	(1,503,490)
Fund Balance Beginning of the Year	3,629,228	3,629,228	
Fund Balance End of the Year			
Total Fund Balance	4,470,178	3,605,932	(864,245)

2002-03 UPDATED CHANGES IN FUND BALANCE - GENERAL FUND

11/13/2002

	1999-2000	2000-01	2001-02	2002-03
	Actual	Actual	Actual	Revised Budget
Revenues				
Tax Revenues	16,587,340	18,314,878	19,447,201	20,027,594
Licenses and Permits	1,405,934	1,592,226	1,464,450	1,655,554
Fines and Forfeitures	628,276	673,281	710,159	760,832
Investment/Property Revenues	369,537	534,755	377,866	573,844
Revenue from Others	3,600,032	3,806,630	4,291,718	4,689,948
Service Charges	1,521,571	1,733,878	1,690,938	1,961,035
Other Revenue	215,808	200,008	341,250	184,875
Total Revenue	24,328,498	26,855,656	28,323,582	29,853,682
Expenditures				
Operating Programs				
Public Safety	11,387,771	12,000,660	13,132,937	13,492,625
Transportation	1,788,528	1,883,856	1,817,284	2,282,210
Leisure, Cultural and Social Services	3,529,868	3,664,327	4,082,833	4,053,225
Community and Economic Development	2,608,273	2,903,546	3,004,654	3,332,715
General Government	6,777,843	7,559,430	7,936,121	8,447,060
Total Expenditures	26,092,283	28,011,819	29,973,829	31,607,835
Revenues/Expenditures (Over/Under)	(1,763,785)	(1,156,163)	(1,650,247)	(1,754,153)
Other Sources (Uses)				
Operating Transfers In	3,995,011	4,188,561	5,372,694	5,027,627
Operating Transfers Out	(1,123,745)	(2,279,905)	(2,790,213)	(2,809,997)
Other Sources (Uses)	(199,406)	(85,708)	1,017,649	2,492,649
Cost of Medical Care/Dental, Vision	0	(1,669,565)	(1,973,179)	(2,219,826)
Total Other Sources (Uses)	2,671,860	153,383	1,626,951	2,490,453
Fund Balance Beginning of the Year	2,701,212	3,609,287	3,629,228	3,605,932
Adjustment to Fund Balance		1,022,721		
Fund Balance End of the Year				
Unreserved	3,609,287	3,629,228	3,605,932	4,342,233
Total Fund Balance	3,609,287	3,629,228	3,605,932	4,342,233

City of Lodi
Budget Presentation Outline
Shirtsleeve Sessions
November 19th and November 26th 2002

1. Fiscal Uncertainties
2. Overview of Fiscal Year 2001-02 General Fund Budget to Actual
3. Discussion Regarding Policy of In-Lieu-of Tax Transfer from the Electric Utility Fund to the General Fund
4. Overview of Updated Changes in Fund Balance – General Fund
5. Review of the Evolution of Lodi's Budgets
6. Review and Discuss Policy Issues
7. Determine Budget Schedule and Format

City of Lodi
Budget Presentation Outline
Shirtsleeve Sessions
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- 1. Opening Remarks and Overview – Dixon Flynn**
- 2. Fiscal Uncertainties – Janet Keeter**
- 3. Overview of Fiscal Year 2001-02 General Fund Budget to Actual – Vicky McAthie**
- 4. Discussion Regarding Policy of In-Lieu-of Tax Transfer from the Electric Utility Fund to the General Fund – Dixon Flynn & Dan Hartman**
- 5. Overview of Updated Changes in Fund Balance – General Fund – Vicky McAthie**
- 6. Review of the Evolution of Lodi's Budgets – Vicky McAthie**
- 7. Review and Discuss Policy Issues – Janet Keeter**
- 8. Determine Budget Schedule and Format – Janet Keeter & Vicky McAthie**